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Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 SSO-00 FEA-01 INRE-00 NSCE-00
USIE-00 ERDA-07 AID-05 CEA-01 CIAE-00 COME-00
EPG-02 DODE-00 EB-07 FPC-01 H-02 INR-07 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-04 OES-07 SP-02
SS-15 STR-04 TRSE-00 ACDA-10 FRB-01 XMB-04
OPIC-06 LAB-04 SIL-01 /120 W
----------077094 062350Z /75
O 062305Z JUL 77
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC IMMEDIATE 3354

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EO 11652; N/A
TAGS; ENRG, EINV, US, MX
SUBJECT; CONSULTATIVE MECHANISM COMMITTEE ON ENERGY, MINERALS, INDUSTRY AND INVESTMENT

1. EMBASSY RECEIVED THIS NOON FROM UNDERSECRETARY WARMAN LETTER AND STATEMENT OF GOM PRIORITIES FOR SUBJECT SUB-GROUP. ORIGINAL POUCHED TO ARA/MEX. EMBASSY TRANSLATION OF TEXT OF LETTER AND STATEMENT READS AS FOLLOWS:

2. BEGIN TEXT OF LETTER: MR. CECIL B. THOMPSON, DEPUTY ASSISTANT ADMINISTRATOR, FEDERAL ENERGY ADMINISTRATION, WASHINGTON, D. C. 20461. DEAR MR. THOMPSON: IN ACCORDANCE WITH OUR AGREEMENT, THE ATTACHED DOCUMENT PROVIDES AN ANNOTATED AGENDA OF THE POINTS THAT IT WOULD BE DESIRABLE TO TREAT IN THE MEETING OF THE SUBGROUP NEXT WEEK. AS YOU CAN SEE, SAID AGENDA INCLUDES NOT ONLY SPECIFIC DISCUSSION POINTS, BUT ALSO THE GENERAL OUTLINES OF THE POLICY PUT FORWARD BY THE PRESENT ADMINISTRATION.
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I BELIEVE THAT THE DOCUMENT IS SELF-EXPLANATORY AND THAT WE WILL HAVE THE OPPORTUNITY TO CLARIFY MANY OF THESE POINTS IN OUR NEXT MEETING. WE WOULD LIKE THIS TO TAKE PLACE IN THE CITY OF OAXACA DURING THURSDAY, FRIDAY AND SATURDAY IN THE WEEK BEGINNING JULY 11. ALTERNATIVELY, IT COULD TAKE PLACE FRIDAY, SATURDAY AND SUNDAY OF THAT SQOE WEEK. I WOULD APPRECIATE IT IF YOU WOULD INFORM ME

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AS SOON AS POSSIBLE OF THE MOST CONVENIENT DATE AS WELL AS THE NUMBER OF PEOPLE THAT WILL BE IN YOUR DELEGATION IN ORDER THAT WE CAN ORGANIZE TRANSPORTATION, LODGING AND SECRETARIAL FACILITIES IN THE BEST MANNER POSSIBLE. SINCERELY, NATAN WARMAN. END LETTER TEXT.

3. BEGIN STATEMENT TEXT:

1. THE ECONOMIC POLICY OF PRESIDENT LOPEZ PORTILLO HAS ESTABLISHED VARIOUS OBJECTIVES FOR THE INDUSTRIAL SECTOR OF MEXICO. THESE COULD BE SUMMARIZED IN THE FOLLOWING UNCLASSIFIED

POINTS:

A) TO RESUME THE RATE OF GROWTH OF THE MANUFACTURING INDUSTRY IN ORDER TO ACHIEVE AN INCREASE IN EMPLOYMENT THAT PFRMITS AT A MINIMUM NO INCREASE IN THE LEVELS OF UNEMPLOYMENT THAT EXIST TODAY IN URBAN CENTERS AND TO ABSORB PART OF THE RURAL UNDEREMPLOYMENT.

B) TO REORIENT INDUSTRIAL ACTIVITY IN MEXICO TOWARD PRIORITY SECTORS, NAMELY:

I) COMMON CONSUMER GOODS

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II) FERTILIZERS AND PETROCHEMICALS

III) ENERGETICS AND IRON AND STEEL

IV) MACHINERY AND EQUIPMENT

V) BASIC RAW MATERIALS

C) AT THE SAME TIME TO MODIFY THE INDUSTRIAL STRUCTURE, RAISING EFFICIENCY AND CONSEQUENTLY THE COMPETITIVENESS OF THE VARIOUS INDUSTRIAL BRANCHES IN ORDER TO ACHIEVE:

I) AN INCREASE IN THE EXPORT-IMPORT RELATIONSHIP OF THE INDUSTRY IN ITS ENTIRETY.

II) A REDUCTION IN THE DEGREE OF MONOPOLY OPERATING IN THE MOST DYNAMIC SECTORS OF THE MANUFACTURING INDUSTRY.

III) TAKING BETTER ADVANTAGE OF INSTALLED CAPACITY, FACILITATING THE EMERGENCE OF HORIZONTAL INDUSTRIES, PARTICULARLY IN THE FIELD OF MEDIUM-SIZED AND SMALL INDUSTRIES.

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2. THE ACHIEVEMENT OF THESE OBJECTIVES REQUIRES SPECIFIC POLICIES WITH RESPECT TO INVESTMENT AND CONSUMPTION AS WELL AS TO TECHNOLOGY, ESPECIALLY FOR THAT WHICH TOUCHES ON ITS TRANSFERENCE AND PROGRAMS OF TRAINING TIED TO THE LATTER.

SIMILARLY, IT REQUIRES THE DESIGN OF FISCAL SCHEMES OF SALARIES, PRICES AND PROFITS THAT PERMIT LEADING INDUSTRIAL ACTIVITY TOWARD DESIRED GOALS, SEEKING TO PRESERVE THE CLIMATE OF LIBERTY THAT HAS CHARACTERIZED THE MEXICAN ECONOMY.
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3. IN THIS CONTEXT, WE SET FORTH THE MEXICAN GOVERNMENT'S CONCEPT OF THE COLLABORATION OF THE GOVERNMENT OF THE

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L-03 NSAE-00 NSC-05 OMB-01 PM-04 OES-07 SP-02
SS-15 STR-04 TRSE-00 ACDA-10 FRB-01 XMB-04
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UNITED STATES. A BETTER UNDERSTANDING OF THE OBJECTIVES THAT ARE BEING SOUGHT WILL REDOUND TO THE BENEFIT OF

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BOTH COUNTRIES. IT WILL ELIMINATE THE SUSPICIONS THAT OFTEN HAVE EMERGED WITH RESPECT TO THE MOTIVATIONS BEHIND SOME POLICY, AND IT WILL HELP TO CEMENT AND TO SUPPORT (THE POLICY) ON A MORE PERMANENT BASIS.

4. WE THINK THAT AN INCREASE OF EMPLOYMENT IN MEXICO; A REDUCTION OF THE SCARCITIES WHICH THE MAJORITY OF OUR POPULATION SUFFERS FROM TODAY; MAKING AVAILABLE TO THE POPULATION A MINIMUM OF BASIC SATISFACTIONS; A STRENGTHENING OF THE PRODUCTIVE STRUCTURE, AND SPECIFICALLY OF ITS INDUSTRY, WOULD RESULT IN THE LESSENING OF SOME PROBLEMS THAT, AS IN THE CASE OF MIGRATORY WORKERS, ORIGINATED IN THESE SCARCITIES.

5. IT IS EVIDENT THAT THESE LONG-RUN POLICIES ARE FORMED IN SHORT-RUN SITUATIONS, WRAPPED UP IN A CONJUNCTION OF A PARTICULAR INTEREST, OF A SPECIFIC
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CONFLICT, OF A CONCRETE PROBLEM, WHICH MAKES THEM LOSE THEIR PERSPECTIVE. THE URGENT TENDS TO PREVAIL OVER THE IMPORTANT, AND FROM THAT ARE DERIVED NEW CONFLICTS AND NEW PROBLEMS THAT LITTLE BY LITTLE OBSCURE AND MUDDY A RELATIONSHIP THAT COULD BE BENEFICIAL FOR BOTH PARTIES. WE BELIEVE THAT IT IS THE CENTRAL TASK OF THIS COMMITTEE TO MAKE SURE THAT THAT DOES NOT HAPPEN.

6. AS A RESULT, WE ARE SETTING OUT WITH COMPLETE FRANKNESS AND GOOD FAITH THOSE AREAS IN WHICH WE CONSIDER THAT NORTH AMERICAN/MEXICAN COLLABORATION CAN TURN OUT TO BE ESSENTIAL, AND WE HOPE TO HAVE THE SAME ATTITUDE FROM YOU. ON THESE FOUNDATIONS WILL SURELY EMERGE A DIALOGUE IN WHICH OUR MUTUAL EXPERIENCES AND OPINIONS CONCERNING THE REALITY OF THE INTERCHANGE BETWEEN OUR COUNTRIES WILL BE ABLE TO TRANSFORM THIS REALITY. WE DO NOT SEE THIS COMMITTEE AS ONE MORE STEP IN ETERNAL DIPLOMATIC DISCUSSIONS, BUT AS A FIRST STEP OF A NEW STYLE OF NEIGHBORING COUNTRIES LIVING TOGETHER.

7. IN THIS SPIRIT WE WOULD LIKE TO LAY OUT THE PROBLEMS OF OUR INDUSTRIAL DEVELOPMENT WITH A DOUBLE PERSPECTIVE. IN THE FIRST PLACE, THOSE ASPECTS WHERE THE UNITED STATES AS THE MOST POWERFUL INDUSTRIAL POWER OF OUR DAY CAN HELP US TO ARRIVE AT THE MOST EFFECTIVE AND RAPID SOLUTION. IN SECOND PLACE, THE PROBLEMS FOR MEXICAN INDUSTRIAL DEVELOPMENT THAT RESULT FROM SPECIFIC POLICIES THAT HAVE BEEN ADOPTED BY THE GOVERNMENT OF THE UNITED STATES. FROM THIS LAST POINT WILL DERIVE SPECIFIC PROBLEMS IN VARIOUS SECTORS TO WHICH A SOLUTION CAN BE SOUGHT.

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8. ON THE FIRST POINT AND IN A MANNER CONSISTENT WITH THE OBJECTIVES ENUNCIATED IN THE INDUSTRIAL POLICY OF MEXICO
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THERE CAN BE DRAWN THE FOLLOWING POINTS TO DEAL WITH.

A) TECHNICAL ASSISTANCE AND TECHNOLOGY TRANSFER FROM THE UNITED STATES TO MEXICO WITH RESPECT TO THE SECTORIAL PRIORITIES NOTED (COMMON CONSUMER GOODS, FERTILIZERS, MACHINERY AND EQUIPMENT, ETC.)

B) MODALITIES OF NORTH AMERICAN INVESTMENT IN MEXICO IN THOSE SECTORS, PARTICULARLY THOSE RELATING TO EXPORTS, PATENTS AND RIGHTS, USE OF TRADEMARKS, ETC.

C) NORTH AMERICAN EXPERIENCE IN THE PROMOTION AND DEVELOPMENT OF SMALL INDUSTRY INCLUDING THE MEANS RELATING TO THE CONTROL OF MONOPOLIES AND ITS RESULTS. THIS POINT COULD BE ROUNDED OUT THROUGH THE ORGANIZATION OF TRAINING COURSES AND/OR SEMINARS INVOLVING INTERCHANGE OF OFFICIALS AND EXPERTS OF BOTH COUNTRIES.

D) TECHNICAL HELP TO FOSTER THE BEST USE OF ENERGY, WITH A SPECIAL EMPHASIS ON ALTERNATIVE USES OF THE LATTER AND MEANS OF REDUCING THE RESULTING POLLUTION.

E) DEVELOPMENT PROGRAMS FOR RAW MATERIALS AND PARTICULARLY MINERALS WITH A VIEW TO ASSURING SUPPLY FOR BOTH COUNTRIES OF THOSE PRODUCTS NEEDED IN THEIR DEVELOPMENT.

9. WITH RESPECT TO THE POLICIES FOLLOWED BY THE UNITED STATES AND THEIR REPERCUSSIONS ON MEXICAN INDUSTRY IT WOULD BE FITTING TO ANALYZE THE FOLLOWING POINTS:

A) FORESEEABLE EFFECT OF NORTH AMERICAN ENERGY POLICIES ON THE AUTOMOTIVE INDUSTRY, PETROCHEMICAL INDUSTRY, THE IRON AND STEEL INDUSTRY AND METALWORKING INDUSTRY.

B) THE ENERGY POLICIES OF BOTH COUNTRIES AND THEIR
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POSSIBLE COORDINATION.

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C) THE MINING POLICY OF THE UNITED STATES AND ITS POSSIBLE CONSEQUENCES ON THE MEXICAN MINERALS SECTOR

D) THE OUTLOOK FOR INDUSTRIAL EXPORTS FROM MEXICO TO THE UNITED STATES. THE DEVELOPMENT OF MEXICAN MANUFACTURES TENDING TO COMPENSATE THE PRESENT TRADE IMBALANCE. UNDER THIS HEADING AND WITHIN THE FRAMEWORK OF COMMON PROBLEMS, IT WOULD BE FITTING TO ANALYZE TARIFF PREFERENCES, THE IN-BOND INDUSTRIES AND THEIR ORGANIZATION AND ESPECIALLY THE MULTI-FIBER AGREEMENT AND ITS EFFECTS UPON MEXICO.

10. THESE ARE, IN GENERAL TERMS, THE PRINCIPAL POINTS IN THE INDUSTRIAL SPHERE THAT ARE PARTICULARLY INTERESTING FOR US. THE EMPHASIS AS IS OBVIOUS WILL BE ON THE SUPPORT THAT THE UNITED STATES CAN GIVE TO MEXICO. IT IS NOT OUR INTENTION TO DISGUISE IT IN A PROGRAM OF EQUIVALENT SUPPORT. GIVEN THE INEQUALITIES OF THE ECONOMIES OF OUR COUNTRIES IT WOULD BE ABSURD TO TRY FOR

EQUAL TREATMENT, SINCE IT WOULD ONLY INCREASE THE IN-

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EQUALITY OF THE TREATMENT. CONSEQUENTLY IT IS THIS ASYMMETRY IN THE INDUSTRIAL RELATIONS OF OUR TWO COUNTRIES THAT MUST GOVERN OUR ATTITUDES. IT IS WITH BASIC FRANKNESS THAT WE MAKE IT EXPLICIT. (SIGNED-NATAN WARMAN) END TEXT.

4. FOR EMBASSY COMMENTS SEE SEPTEL. THOMPSON

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Message Attributes

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Disposition Case Number: n/a
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Status: NATIVE
Subject: ; CONSULTATIVE MECHANISM COMMITTEE ON ENERGY, MINERALS, INDUSTRY AND INVESTMENT
TAGS: ENRG, EINV, US, MX
To: STATE
Type: TE
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